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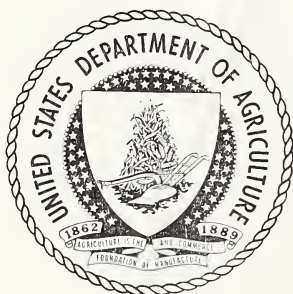
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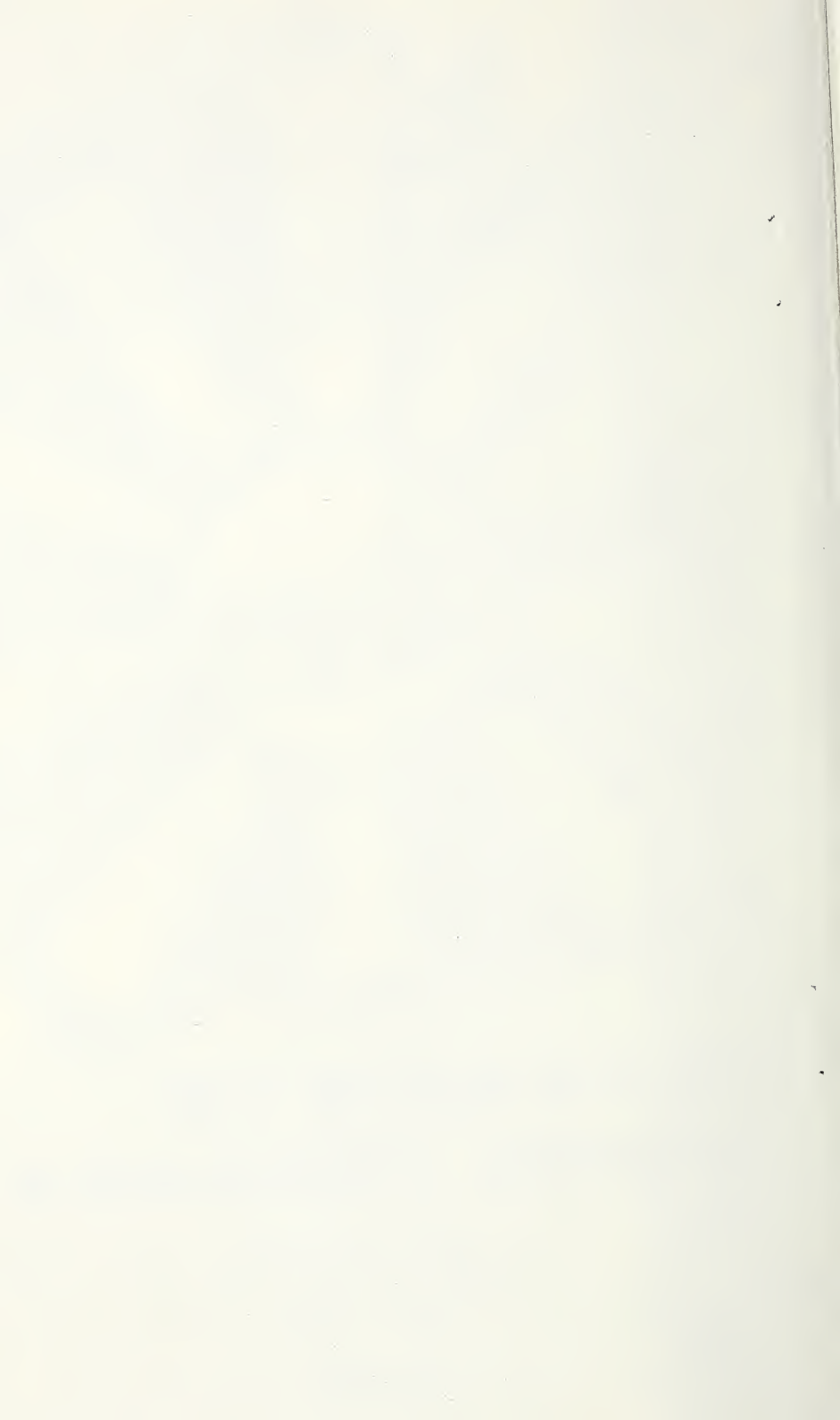


# **PATHWAYS TO RURAL PROGRESS**

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## Problem and Solution

Testifying before a Congressional Committee early in 1962, Secretary of Agriculture Orville L. Freeman said that among the 54,000,000 people living in rural America were 4,100,000 families with incomes of less than \$2,500. The breadwinners in most of these families are underemployed due to inadequate resources of land, other capital investment and skills or to some combination of these factors.

What is needed in the decade of the 1960's, said the Secretary, are effective programs of rural areas development to meet the problem. These include:

"Measures to encourage the formation of economically viable family-size farms and the diversion of some of the land to recreation, conservation, the growing of trees and wildlife preservation.

"The renewal of rural communities by helping to create new industrial and commercial enterprises and better community facilities.

"Vocational and other educational opportunities that are basic to the development of a strong and prosperous rural area.

"Rural renewal programs in the country can be as constructive and important in strengthening the values of American life as urban renewal programs in our cities," the Secretary said.



## 25 Years of Development Experience

Farmers Home Administration, an agency with a 25-year record of supplying capital and management advice in local programs of farm and rural development, has a central role in "rural renewal" work of the Department.

In 1961 Congress broadened Farmers Home Administration's responsibilities for development of successful family farms and expanded the agency's services to benefit certain nonfarm families and rural areas generally. The following major changes were made:

The amount a borrower could be indebted for operating loans was raised from \$20,000 to \$35,000, and the maximum time of repayment was increased. Ownership loans to acquire and enlarge farms were modified to include financing of a wider range of farms. The insured loan program was improved. Nonfarm rural residents were made eligible for water association and rural housing loans.

Several important new loan programs also were authorized by the Senior Citizens Housing Act and the Food and Agriculture Act of 1962. The former established a program of loans and grants for the construction of housing for older persons and families living in rural areas. The latter authorized Farmers Home Administration to extend credit to farmers for public recreation facilities on their land and to associations and public agencies for financing shifts in land use, including, in the case of associations, the development of recreation activities.

In short, legislation enacted in 1961 and 1962 overhauled the agency's lending programs, broadening their scope and adding a number of new loan objectives.

Farmers Home Administration has geared its operations to these new programs and authorities and the growing demand in rural America for development capital. In the 12 months ending June 30, 1962, the agency loaned \$637,000,000 to farm and other rural families. This was the largest amount ever loaned by the agency in a 12-month period. It represented 61 and 106 percent increases over the amount of lending in the two previous 12-month periods respectively.



## A Boost From FHA

New London, Richfield and Misenheimer are three pleasant little towns in North Carolina's Stanly County. They're nice places to live, clean, and quiet, with plenty of space for the kids to play. Some of the families living in the area farm. Others work in local small industries and businesses and at Pfeiffer College, a local 1000-student liberal arts college.

The area has just about everything with one big exception: The water supply is poor. Most families use wells. They provide water that is sometimes unsafe and always unpalatable. Pfeiffer College depends on a lake and a portable water purifier discarded as a surplus military item a few years back. The purifier works all right. But the lake sometimes dries up.

Early in 1962, a group of local citizens formed the Pfeiffer-North Stanly Water Association to do something about the problem. They got in touch with P. D. Turbyfill, a local supervisor of the Farmers Home Administration, to see what his agency could do about helping them finance a water system.

Farmers Home Administration could, and did. A \$500,000 loan was made to the association in June 1962. It will finance 12 miles of water mains, service connections and elevated storage tanks. The association has an agreement with nearby Albemarle, a city of 12,000, to purchase water from its filtering plant for distribution through the new system. They'll repay the loan to Farmers Home Administration over a period of 40 years, using receipts from the sale of water to homeowners, businesses and the local college.

It all adds up to the best possible kind of self-supporting rural development, with, of course, a needed boost from Farmers Home Administration.

Between July 1, 1961 and June 30, 1962, the agency loaned --

- \$275, 360, 000 to 74, 741 farmers for adjustments in their farm operations.
- \$183, 008, 000 to 11, 788 farmers to buy, develop or enlarge farms. Of this amount private lenders supplied \$143, 008, 000 under an insured loan program.
- \$96, 428, 000 to 11, 349 families to finance construction and improvement of houses and farm service buildings. More than half of this amount went to nonfarm families living in rural areas.
- \$15, 878, 000 to 953 farmers and 100 rural water associations to improve soil and water conservation, install farmstead and community water systems. Private lenders provided 77 percent of this amount under the insured loan program.
- \$3, 332, 000 to help finance construction of dams and other needed structures in connection with small watershed projects.
- \$63, 340, 000 to 20, 861 farmers in 868 counties hard hit by natural disasters, such as drought and floods.

### Technical Assistance

The nearly 1, 500 local offices of Farmers Home Administration, which serve every rural county in the U. S. , are staffed by experienced development specialists. FHA personnel don't just lend money. They actually work with borrowers, under the various loan programs, to help them make the most productive use of all resources.

Local Farmers Home Administration supervisors also serve as chairmen of USDA technical action panels working with the citizen committees that direct county and area programs of rural areas development. Technical panels supply information on government programs, assist in area-wide planning studies, review

local development plans to assure adequate attention to farm and forestry resources and help plan better community facilities.

Soundly administered and applied credit plus management assistance can bring about not only desired changes in farming but also the well-planned development of essential community facilities, such as water systems. Such developments, in turn, produce a "multiplier" effect throughout the entire community. This is particularly true in rural areas where adjustments in land use, local facilities and income opportunities

### A Garden Spot in Tennessee

Formerly agricultural Lawrence County in south central Tennessee is rapidly becoming a center of manufacturing. Some 3,000 people now are employed in the area's plants. Almost all of them live on small farms and do some part-time farming.

Housing is a serious problem in open country areas, with little housing credit available from private sources to finance construction.

Equipped with the new Farmers Home Administration rural housing program, Charlie Berry, the agency's supervisor serving Lawrence and two other counties, has gone to work on the problem with a will. In the 12 months ending June 30, 1962, he made 52 housing loans for a total of \$438,240. Most of the loans were in Lawrence County. He estimates that as many as 100 loans each year could be made in his three-county area.

Industry development, the Farmers Home Administration housing program, large-scale recreation projects now being planned by local leaders and a long-range pasture-forest-livestock farming program are rapidly turning this formerly poor farming area into the garden spot of southern Tennessee.

have lagged behind changing economic and social conditions.

Successful rural development in such areas requires two basic changes: A restructuring and upgrading of agriculture. Expansion of job opportunities for those unable to make a living by farming full-time. In most areas, these are two sides of the same coin. Placing local agriculture on a sounder basis often depends on finding additional opportunities in the community for producers on "marginal" farms or small acreage.

### **Population Loss in Rural U.S.**

The decline of population in rural areas during the past two decades has led to serious side effects. Rural businesses have suffered, particularly in the small farm trading centers. Institutions, such as churches, are often hard pressed to continue operations. The smaller school districts are experiencing severe financial problems.

In the decade of the 1950's, nearly 1,600 U. S. counties lost population. According to one estimate 800 rural counties lag seriously behind the rest of the nation in per capita income.

During the 1960's the problem of rural need and dislocation will intensify unless we can:

- (1) stabilize farm income and bring it into reasonable relation to farm costs on family owned and operated farms,
- (2) promote basic improvements in the rural environment and,
- (3) generate greatly increased rural area employment opportunities.

### **FHA Credit, A Farm Improvement Stimulus**

Farmers Home Administration is, of course, providing only a fraction of farm credit needs. However, this fraction is of importance in rural renewal and development areas far out of proportion to the amount in-





volved. FHA farm operating and ownership loans enable capable farmers to make long-needed farm adjustments. In turn these adjustments produce a more efficient, better planned use of farm resources, in keeping with land and other capabilities.

It's becoming almost impossible for a farmer to obtain enough credit to go from tenancy to ownership or for a young farmer without capital to start farming on an adequate basis. Investment required is simply too high. The business risk is too great for many private lenders. In some farming areas, Farmers Home Administration has become the principal source of real estate credit for this type of farmer.

Also the continuing rise in farm costs coupled with market instability has cut into the financial resources of many efficient family farmers. Since incomes aren't sufficient to cover replacement costs, they must turn to credit. However, some of these farmers have exhausted private sources of credit. They no longer have the equities required by conventional lenders.

## Man With A Mission

Harold Kvale is a fellow with a deep faith in the ability and initiative of farm families. He comes by this faith through practical experience. Mr. Kvale spends all of his working hours helping families make a success of farming. For 18 years he has been county supervisor in charge of the Farmers Home Administration loan program in Pope County, Minnesota.

Loan-making is only one part of Mr. Kvale's job, however. Some would call it the least important part. With every loan he also supplies advice and counsel to farm families. His aim is not only making loans to farmers but also helping them succeed at farming. Mr. Kvale spends a good part of his time advising farm families about culling dairy cows with poor production records, how to get more land or start raising a better herd of hogs and similar fundamental farm production problems.

Since 1936 Pope County farmers have received \$3,406,000 in loans from Farmers Home Administration. Of this amount \$2,313,000 already has been repaid. The agency has had to write off less than one percent of the entire amount loaned to Pope County farmers. The \$486,000 interest on these loans paid to the Government financed the cost of operating the agency's Glenwood office.

Incomes of families with FHA farm ownership loans reached a record high of \$5,715 in 1961, slightly above the county average. Cash income per family was up 10 percent over the amount for 1960. The average borrower-family repaid \$2,000 on its debts during the year.

Without question, many of these folks would not be farming, not be owning farm property, not be contributing to the community welfare in the absence of the supervised FHA credit program.



Helping farmers make the most suitable use of their farmland also is a major aim of the Farmers Home Administration lending program. A new farm forestry loan enables farmers and ranchers to convert land resources to the production of trees, a natural resource which is the basis of many rural industries. In addition, FHA credit to help finance basic soil and water conservation measures also contributes directly to needed land adjustments. Every farm ownership loan made by the agency will be accompanied by a conservation plan tailored to the particular farm.

## **Graduating Borrowers**

Farmers Home Administration "graduates" its borrowers to regular sources of farm credit, such as banks and cooperatives, as rapidly as their progress allows. Before a loan is processed the agency also requires proof that other credit is not available to the applicant.

Farmers Home Administration's close working relations with private lenders at the local level are one of its most valuable development services. Trained FHA personnel are in regular professional contact with experts on farm credit by many local bankers and businessmen.

Farmers Home Administration credit programs pioneered the combining of management assistance with farm credit in the U. S. Other lenders have drawn upon the agency's experience in improving farm credit techniques and adapting credit operations to modern farm requirements. Here again, the agency is making a vital contribution to farm and rural area adjustment and development.

The emergency loan program of Farmers Home Administration is a special approach to a problem that afflicts many rural areas: severe economic loss due to natural disasters, floods, droughts, etc. Such assistance helps farmers and ranchers in these areas recover rapidly from their losses. It thereby greatly softens the blow to the local economy. The alternative would be further direct harm to the nation's rural economy. In some areas, such disasters could trigger the beginning of an irreversible economic decline.

## Happy Ending in Texas

Early in 1962 seven families near Anson, Texas, faced a dismal prospect. They were tenants of a 5500-acre estate in the area whose owners had decided to sell out. They had the choice of making hard-to-find tenant arrangements elsewhere or getting out of farming altogether.

The town of Anson also faced a dismal prospect. The seven families represented good customers and good citizens. Their loss to the community would be another blow in a county that had lost some 20 percent of its population in just 10 years.

But the story has a happy ending. Working with owners of the estate, Jim Hayes, Farmers Home Administration county supervisor, and a local banker arranged for loans to the tenant families under the agency's insured farm ownership program. Loans to each of the families averaged \$39,000. They also contributed an average of \$7,900. The total amount covered purchase of the land, improvements to buildings, pastures and fields. FHA-approved farm plans have been prepared on all the farms, and will be carried out with the help of Jim Hayes.

Besides the 7 former tenants of the estate, 4 other tenant families in the area also received insured loans to purchase estate land. Former owners of the estate will hold notes on the 11 farms, with a Farmers Home Administration guarantee of principal and interest payment.

About the project Secretary Freeman said, "It is an outstanding example of how the FHA farm ownership loan program is promoting and expanding family-owned and operated farms in areas long characterized by a heavy proportion of tenancy."

## The Climate for Progress



Farm prosperity and the confidence that comes from a progressive, dynamic family farm economy help maintain a high level of rural and small town business activity. However, in many rural areas, farm prosperity is not enough to assure total progress and prosperity. Adjustments in farming must be accompanied by growth in nonfarm enterprises and activities. Of critical importance is the provision of an environment attractive to individuals and organizations likely to invest in the area. This is where Farmers Home Administration's program of the 60's comes in.

With the recent broadening of Farmers Home Administration authorities in the fields of rural housing and water system development, recreation and land use adjustment, the agency is now able to provide capital for certain long-needed improvements in open country residential and farming communities.

There's a tremendous demand for improved housing and public facilities, such as water systems in open country areas and smaller towns. In those areas where industry has begun to expand in the last few years, folks who have been leaving are now staying -- or returning.

However, public and private financing of rural area modernization has lagged far behind the increased job opportunities. When Farmers Home Administration goes to the field with an expanded rural housing program, for example, the response is immediate and overwhelming. The agency ended fiscal year 1962 with 8,000 housing loans ready for approval and 12,000 more applications on hand.

## **A Changing Rural America**

Times change. The needs of families living in rural America are not the same as they were 20 or even 10 years ago. The majority of these families no longer farm. Even among families on farms, the pressures of modern agriculture are forcing big changes in methods of production and ways of living. Among other results are family farms with capital investments unheard of just a few years ago, more rural residents working in local industries and more income on farms (about one-third) coming from off-farm sources, small towns hard pressed to provide adequate services, some communities growing over night, others falling into decline.

The Farmers Home Administration is rapidly gearing its loan programs to the needs of this changing rural America of the 1960's. With representatives located in or near every rural county in the nation, the agency has a first-hand knowledge of what is actually required to get rural America moving ahead. Early in 1961 the process of "re-tooling" was started. Current and planned loan programs now focus on the complex problems that impede rural area growth. These FHA programs, along with other evolving USDA rural development services, are among the most important and useful tools available to communities as they build and modernize the new rural America of the 1960's.

Details on loans and services of the Farmers Home Administration can be obtained from the agency's county supervisors or write to the Farmers Home Administration, Department of Agriculture, Washington 25, D. C.

September 1962



Growth Through Agricultural Progress









